

## Bit sniffly

With Singapore reporting its first case of Wuhan flu, and even the UK investigating some Chinese visitors presenting flu-like symptoms, it is probably safe to say that this disease has now gone global. That's the bad news. The relatively good news is that it doesn't seem to be generally fatal to healthier, younger people



flu

Source: Shutterstock

### Why make the distinction?

I don't want you to infer from my summary that I don't think older, or less healthy members of the population are more expendable. But they are at higher risk during a regular flu season anyway, and the fatality numbers so far are small compared with a regular flu year. What I am really getting at is this, this is not the Spanish flu (the 1918 one).

The importance of this is that the Spanish flu has been estimated to have killed, worldwide, more people in the immediate aftermath of World War 1, than actually died in that horrible conflict. And when you think of the butchery that occurred at the Somme, Ypres, Vimy Ridge etc, then that is a particularly horrifying statistic.

Moreover, those that died of the disease were not the elderly, very young or infirm, but the young fit and healthy - the very cohorts of the population that would be needed to rebuild populations

decimated by war. How Spanish flu differed from other cases of flu, was that it was the patient's own immune response that usually led to their demise. An aggressive immune reaction from younger healthier people to infection flooded their infected tissues with histamine, drawing in attacking white blood cells to fight and digest infections, leading to what is called a cytokine storm - greater inflammation leading to a spiralling immune response and further inflammation. It was a nasty way to die.

This does not appear to be happening here. So far, reports of the fatalities show them to be largely amongst the elderly, and those with pre-existing chronic conditions.

That doesn't mean there won't be an economic or market response to this. But it does suggest that the response will be manageable, and hopefully fairly short-lived, weeks and months, not quarters or years.

I sneezed twice on the way into work today, but age-wise, I'm the right side of 60, so hopefully, all will be well. I'm now off to buy some hand sanitizer if there is any left. Though the best defence against this remains regular handwashing with hot water and soap. Avoid touching your nose and eyes, and stay safe.

## What will cause it all to come crashing down?

What will cause it all to come crashing down?

It's a question I get asked a lot these days, especially by clients, but also by one of my senior risk colleagues in the elevator this morning as I arrived at work. The answer I have been giving, which I stand by, is that what ultimately brings markets crashing down, is when the world economy begins to look quite good again.

Let me explain, but before doing so, on a similar theme, Bloomberg's Cameron Crise is as usual, on the money with his own similar discourse this morning in "Daybreak".

In 2018, markets were fretting because the Fed was hiking and promised to do more. EM economies were struggling to attract the capital needed to finance their current account deficits and were having to match Fed hikes to protect ailing currencies and keep inflation at bay. There was even some talk of a synchronised global upturn, as for once, the Eurozone had started the year in decent shape. Fortunately, that didn't last.

2019 was characterised by deteriorating growth. The Eurozone slid into stagnation. Markets worried about global recession and talked endlessly about yield curve inversion. The Trade War hit Asia along with a global tech slump. US data softened. But markets roared as the Fed cut rates and QE returned to both the Eurozone and arguably, to the US. It gave me plenty to write about.

In the intervening period, more money has been channelled into more equity and fixed income products, valuations have become more stretched, spreads more compressed. What I genuinely fear, is that one day we will return to a semblance of synchronised global growth, and possibly a return of some pricing pressure. Just the whiff that the Fed might change policy direction, that the ECB might stop printing, or the BoJ, could see the excesses of recent years unwinding aggressively, exacerbated by the rush for the exit.

But there's more "good" news - I just don't see it...The Eurozone seems fairly bogged down right now. And though it might show a slight improvement this year, I can't see growth reaching 2%, or

inflation turning noticeably higher. The US seems to be on a saddle point - it will probably avoid joining the Eurozone in stagnation, but a lift-off from here seems highly improbable without a complete reversal of trade tariffs. And even then, I suspect inflation wouldn't follow the economy noticeably higher, which should keep any central bank response muted.

After this year - I can't say. Such a crash could happen in 2021 or 2022 or maybe not for much longer. But it would be ironic if the thing that central banks were trying above all to achieve, was to be the catalyst that delivered the next crash. This is something that perhaps Mme Lagarde could consider as she directs the ECB strategic review. The targets that made sense before, no longer do, and mainly because in the intervening period, central banks like the one she now runs have stuffed asset markets full of printed money, making any eventual correction far worse.

I shall be cross if this happens just before I try to cash in my retirement savings.

## Talking of higher inflation

This discussion segues nicely into data already released today in what will be a shortened day before the Lunar New Year holidays across the Asia region. 4Q19 CPI data for New Zealand, and headline CPI data for Japan for December both beat expectations. NZ data came in at 0.5% QoQ, and lifted the inflation rate to 1.9%, practically the inflation target. In contrast to some commentators I read this morning, I don't think the RBNZ will deliver any further easing this year. These figures show they don't need to.

Japan's December CPI inflation of 0.8%YoY is less impressive, though still rose from 0.5% in November. The core rate was also up, but only to 0.7%YoY, and the core rate ex-food and energy up only 0.1pp to 0.9%. Today's inflation figures do ease the pressure on the Bank of Japan to increase its efforts to achieve their 2% inflation target. We hear that they aren't too serious about 2%, but don't see how they can walk away from the target without appearing to be softening their stance. Personally, I don't think this credibility is there to lose, so they might as well ditch it, but that is a personal opinion.

Prakash Sakpal also writes this morning on some of the SE Asian data due out today:

Singapore: December industrial production data is due today. The consensus of -0.6% YoY IP growth is derived from the -2.1% YoY 4Q19 manufacturing GDP growth in the advance estimate released earlier this month. So the significance of today's release is limited to the direction of any revision in manufacturing and total GDP growth (+0.8% YoY) that it points us to. We see little market impact given the early shut down of business for the Lunar New Year eve.

Thailand: In its bid to revive investment demand the government is considering tax incentives and more lending support for companies. This comes as 2020 budget spending faces a further holdup amid reports of irregularity in the passage of the budget bill earlier this month. Increasing delay in fiscal support will weigh on GDP growth, boosting talk of more BoT policy easing this year.

## Happy New Year

Happy New Year everyone - I shall be travelling for much of next week, but will hopefully resume my daily rant on Friday next week.

## Author

### **Olivia Grace**

Editor

[olivia.grace@ing.com](mailto:olivia.grace@ing.com)

### **Julian Geib**

Junior Economist, Global Trade

[julian.geib@ing.de](mailto:julian.geib@ing.de)

### **Zoltán Homolya**

Economic research trainee

[zoltan.homolya@ing.com](mailto:zoltan.homolya@ing.com)

### **Amrita Naik Nimbalkar**

Junior Economist, Global Macro

[amrita.naik.nimbalkar@ing.com](mailto:amrita.naik.nimbalkar@ing.com)

### **Mateusz Sutowicz**

Senior Economist, Poland

[mateusz.sutowicz@ing.pl](mailto:mateusz.sutowicz@ing.pl)

### **Alissa Lefebvre**

Economist

[alissa.lefebvre@ing.com](mailto:alissa.lefebvre@ing.com)

### **Deepali Bhargava**

Regional Head of Research, Asia-Pacific

[Deepali.Bhargava@ing.com](mailto:Deepali.Bhargava@ing.com)

### **Ruben Dewitte**

Economist

+32495364780

[ruben.dewitte@ing.com](mailto:ruben.dewitte@ing.com)

### **Kinga Havasi**

Economic research trainee

[kinga.havasi@ing.com](mailto:kinga.havasi@ing.com)

### **Marten van Garderen**

Consumer Economist, Netherlands

[marten.van.garderen@ing.com](mailto:marten.van.garderen@ing.com)

### **David Havrlant**

Chief Economist, Czech Republic

420 770 321 486

[david.havrlant@ing.com](mailto:david.havrlant@ing.com)

**Sander Burgers**

Senior Economist, Dutch Housing

[sander.burgers@ing.com](mailto:sander.burgers@ing.com)

**Lynn Song**

Chief Economist, Greater China

[lynn.song@ing.com](mailto:lynn.song@ing.com)

**Michiel Tukker**

Senior UK & Eurozone Rates Strategist

[michiel.tukker@ing.com](mailto:michiel.tukker@ing.com)

**Michal Rubaszek**

Senior Economist, Poland

[michal.rubaszek@ing.pl](mailto:michal.rubaszek@ing.pl)

**This is a test author**

**Stefan Posea**

Economist, Romania

[tiberiu-stefan.posea@ing.com](mailto:tiberiu-stefan.posea@ing.com)

**Marine Leleux**

Sector Strategist, Financials

[marine.leleux2@ing.com](mailto:marine.leleux2@ing.com)

**Jesse Norcross**

Senior Sector Strategist, Real Estate

[jesse.norcross@ing.com](mailto:jesse.norcross@ing.com)

**Teise Stellema**

Research Assistant, Energy Transition

[teise.stellema@ing.com](mailto:teise.stellema@ing.com)

**Diederik Stadig**

Senior Economist, Healthcare & Technology

[diederik.stadig@ing.com](mailto:diederik.stadig@ing.com)

**Diogo Gouveia**

Sector Economist

[diogo.duarte.vieira.de.gouveia@ing.com](mailto:diogo.duarte.vieira.de.gouveia@ing.com)

**Marine Leleux**

Sector Strategist, Financials

[marine.leleux2@ing.com](mailto:marine.leleux2@ing.com)

**Ewa Manthey**

Commodities Strategist  
[ewa.manthey@ing.com](mailto:ewa.manthey@ing.com)

## ING Analysts

**James Wilson**  
EM Sovereign Strategist  
[James.wilson@ing.com](mailto:James.wilson@ing.com)

**Sophie Smith**  
Digital Editor  
[sophie.smith@ing.com](mailto:sophie.smith@ing.com)

**Frantisek Taborsky**  
EMEA FX & FI Strategist  
[frantisek.taborsky@ing.com](mailto:frantisek.taborsky@ing.com)

**Adam Antoniak**  
Senior Economist, Poland  
[adam.antoniak@ing.pl](mailto:adam.antoniak@ing.pl)

**Min Joo Kang**  
Senior Economist, South Korea and Japan  
[min.joo.kang@ing.com](mailto:min.joo.kang@ing.com)

**Coco Zhang**  
ESG Research  
[coco.zhang@ing.com](mailto:coco.zhang@ing.com)

**Jan Frederik Slijkerman**  
Senior Sector Strategist, TMT  
[jan.frederik.slijkerman@ing.com](mailto:jan.frederik.slijkerman@ing.com)

**Katinka Jongkind**  
Senior Economist, Services and Leisure  
[Katinka.Jongkind@ing.com](mailto:Katinka.Jongkind@ing.com)

**Marina Le Blanc**  
Sector Strategist, Financials  
[Marina.Le.Blanc@ing.com](mailto:Marina.Le.Blanc@ing.com)

**Samuel Abettan**  
Junior Economist  
[samuel.abettan@ing.com](mailto:samuel.abettan@ing.com)

**Franziska Biehl**  
Senior Economist, Germany

[Franziska.Marie.Biehl@ing.de](mailto:Franziska.Marie.Biehl@ing.de)

**Rebecca Byrne**

Deputy Global Head of Editorial and Supervisory Analyst

[rebecca.byrne@ing.com](mailto:rebecca.byrne@ing.com)

**Mirjam Bani**

Sector Economist, Commercial Real Estate & Public Sector (Netherlands)

[mirjam.bani@ing.com](mailto:mirjam.bani@ing.com)

**Timothy Rahill**

Credit Strategist

[timothy.rahill@ing.com](mailto:timothy.rahill@ing.com)

**Leszek Kasek**

Senior Economist, Poland

[leszek.kasek@ing.pl](mailto:leszek.kasek@ing.pl)

**Antoine Bouvet**

Head of European Rates Strategy

[antoine.bouvet@ing.com](mailto:antoine.bouvet@ing.com)

**Jeroen van den Broek**

Global Head of Sector Research

[jeroen.van.den.broek@ing.com](mailto:jeroen.van.den.broek@ing.com)

**Edse Dantuma**

Senior Sector Economist, Industry and Healthcare

[edse.dantuma@ing.com](mailto:edse.dantuma@ing.com)

**Francesco Pesole**

FX Strategist

[francesco.pesole@ing.com](mailto:francesco.pesole@ing.com)

**Rico Luman**

Senior Sector Economist, Transport and Logistics

[Rico.Luman@ing.com](mailto:Rico.Luman@ing.com)

**Jurjen Witteveen**

Sector Economist

[jurjen.witteveen@ing.com](mailto:jurjen.witteveen@ing.com)

**Dmitry Dolgin**

Chief Economist, CIS

[dmitry.dolgin@ing.de](mailto:dmitry.dolgin@ing.de)

**Nicholas Mapa**

Senior Economist, Philippines

[nicholas.antonio.mapa@asia.ing.com](mailto:nicholas.antonio.mapa@asia.ing.com)

**Egor Fedorov**

Senior Credit Analyst

[egor.fedorov@ing.com](mailto:egor.fedorov@ing.com)

**Sebastian Franke**

Consumer Economist

[sebastian.franke@ing.de](mailto:sebastian.franke@ing.de)

**Gerben Hieminga**

Senior Sector Economist, Energy

[gerben.hieminga@ing.com](mailto:gerben.hieminga@ing.com)

**Nadège Tillier**

Head of Corporate Sector Strategy

[nadege.tillier@ing.com](mailto:nadege.tillier@ing.com)

**Charlotte de Montpellier**

Senior Economist, France and Switzerland

[charlotte.de.montpellier@ing.com](mailto:charlotte.de.montpellier@ing.com)

**Laura Straeter**

Behavioural Scientist

+31(0)611172684

[laura.Straeter@ing.com](mailto:laura.Straeter@ing.com)

**Valentin Tataru**

Chief Economist, Romania

[valentin.tataru@ing.com](mailto:valentin.tataru@ing.com)

**James Smith**

Developed Markets Economist, UK

[james.smith@ing.com](mailto:james.smith@ing.com)

**Suvi Platerink Kosonen**

Senior Sector Strategist, Financials

[suvi.platerink-kosonen@ing.com](mailto:suvi.platerink-kosonen@ing.com)

**Thijs Geijer**

Senior Sector Economist, Food & Agri

[thijs.geijer@ing.com](mailto:thijs.geijer@ing.com)

**Maurice van Sante**

Senior Economist Construction & Team Lead Sectors

[maurice.van.sante@ing.com](mailto:maurice.van.sante@ing.com)

**Marcel Klok**

Senior Economist, Netherlands  
[marcel.klok@ing.com](mailto:marcel.klok@ing.com)

**Paolo Pizzoli**  
Senior Economist, Italy, Greece  
[paolo.pizzoli@ing.com](mailto:paolo.pizzoli@ing.com)

**Marieke Blom**  
Chief Economist and Global Head of Research  
[marieke.blom@ing.com](mailto:marieke.blom@ing.com)

**Raoul Leering**  
Senior Macro Economist  
[raoul.leering@ing.com](mailto:raoul.leering@ing.com)

**Maarten Leen**  
Head of Global IFRS9 ME Scenarios  
[maarten.leen@ing.com](mailto:maarten.leen@ing.com)

**Maureen Schuller**  
Head of Financials Sector Strategy  
[Maureen.Schuller@ing.com](mailto:Maureen.Schuller@ing.com)

**Warren Patterson**  
Head of Commodities Strategy  
[Warren.Patterson@ing.com](mailto:Warren.Patterson@ing.com)

**Rafal Benecki**  
Chief Economist, Poland  
[rafal.benecki@ing.pl](mailto:rafal.benecki@ing.pl)

**Philippe Ledent**  
Senior Economist, Belgium, Luxembourg  
[philippe.ledent@ing.com](mailto:philippe.ledent@ing.com)

**Peter Virovacz**  
Senior Economist, Hungary  
[peter.virovacz@ing.com](mailto:peter.virovacz@ing.com)

**Inga Fechner**  
Senior Economist, Global Trade  
[inga.fechner@ing.de](mailto:inga.fechner@ing.de)

**Dimitry Fleming**  
Senior Data Analyst, Netherlands  
[Dimitry.Fleming@ing.com](mailto:Dimitry.Fleming@ing.com)

**Ciprian Dascalu**

Chief Economist, Romania  
+40 31 406 8990  
[ciprian.dascalu@ing.com](mailto:ciprian.dascalu@ing.com)

**Muhammet Mercan**  
Chief Economist, Turkey  
[muhammet.mercan@ingbank.com.tr](mailto:muhammet.mercan@ingbank.com.tr)

**Iris Pang**  
Chief Economist, Greater China  
[iris.pang@asia.ing.com](mailto:iris.pang@asia.ing.com)

**Sophie Freeman**  
Writer, Group Research  
+44 20 7767 6209  
[Sophie.Freeman@uk.ing.com](mailto:Sophie.Freeman@uk.ing.com)

**Padhraic Garvey, CFA**  
Regional Head of Research, Americas  
[padhraic.garvey@ing.com](mailto:padhraic.garvey@ing.com)

**James Knightley**  
Chief International Economist, US  
[james.knightley@ing.com](mailto:james.knightley@ing.com)

**Tim Condon**  
Asia Chief Economist  
+65 6232-6020

**Martin van Vliet**  
Senior Interest Rate Strategist  
+31 20 563 8801  
[martin.van.vliet@ing.com](mailto:martin.van.vliet@ing.com)

**Karol Pogorzelski**  
Senior Economist, Poland  
[Karol.Pogorzelski@ing.pl](mailto:Karol.Pogorzelski@ing.pl)

**Carsten Brzeski**  
Global Head of Macro  
[carsten.brzeski@ing.de](mailto:carsten.brzeski@ing.de)

**Viraj Patel**  
Foreign Exchange Strategist  
+44 20 7767 6405  
[viraj.patel@ing.com](mailto:viraj.patel@ing.com)

**Owen Thomas**

Global Head of Editorial Content  
+44 (0) 207 767 5331  
[owen.thomas@ing.com](mailto:owen.thomas@ing.com)

**Bert Colijn**  
Chief Economist, Netherlands  
[bert.colijn@ing.com](mailto:bert.colijn@ing.com)

**Peter Vanden Houte**  
Chief Economist, Belgium, Luxembourg, Eurozone  
[peter.vandenhoute@ing.com](mailto:peter.vandenhoute@ing.com)

**Benjamin Schroeder**  
Senior Rates Strategist  
[benjamin.schroeder@ing.com](mailto:benjamin.schroeder@ing.com)

**Chris Turner**  
Global Head of Markets and Regional Head of Research for UK & CEE  
[chris.turner@ing.com](mailto:chris.turner@ing.com)

**Gustavo Rangel**  
Chief Economist, LATAM  
+1 646 424 6464  
[gustavo.rangel@ing.com](mailto:gustavo.rangel@ing.com)

**Carlo Cocuzzo**  
Economist, Digital Finance  
+44 20 7767 5306  
[carlo.cocuzzo@ing.com](mailto:carlo.cocuzzo@ing.com)